

K. Funding and Budget

Obviously, none of the above ideas for running an AFI Project will work if there are no resources and no plan for allocating the resources. The AFI Program is unique in that each Federal dollar granted must be matched by a nonfederal dollar. Experience shows that AFI Project organizations need additional resources to cover administrative and other costs related to the program, and that accurately formulating and monitoring the project budget is critical.

Nonfederal Funding Requirements

OCS requires applicant organizations to provide a dollar-for-dollar contribution of nonfederal funds to correspond with the Federal funds requested in the AFI application. These nonfederal funds are to be used for the same activities and purposes as the Federal funds.

Nonfederal funds can come from numerous sources, both public and private. Many AFI Projects have funds committed from financial institutions, community or corporate foundations, other private sources, and even State and local governments. While any of these sources of funds qualifies toward the nonfederal contribution, applicants whose funding sources are predominantly private have an edge in competing for grants.

Can any Federal funding sources qualify as the nonfederal contribution? Only one Federal funding source – the Community Development Block Grant (CDBG) -- may be used as the nonfederal cost share funds. In order to have access to these funds, however, AFI Projects must negotiate with either their State or local government agency that administers the funds.

Commitment of Funds

In many cases, organizations do not have the full nonfederal share in their Reserve Accounts when they apply to the AFI Program. However, applicants must demonstrate that its funders have agreed – or made the commitment – to give the full amount of the required nonfederal match should the organization get an AFI grant. Applicant organizations can demonstrate commitment of nonfederal share by submitting either Nonfederal Share Agreements or letters of commitment. All documents must be signed by an authorized official of the contributing organization.

There are two imperatives for successful nonfederal share commitments:

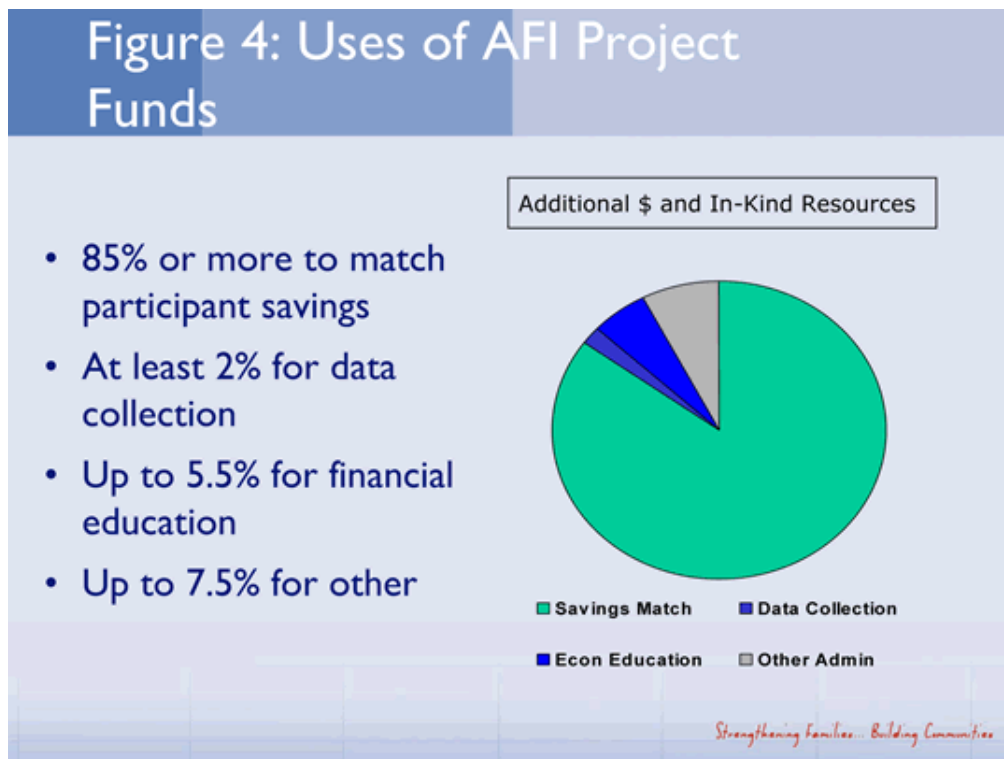
FIRM, DOCUMENTED COMMITMENTS. A commitment (from the applicant or another contributing organization) will be considered eligible only if the statement of commitment is firm. It may be contingent solely on the AFI grant award. A statement with any other contingencies (such as awaiting final approval at a board meeting) will not be considered eligible. For an example of a nonfederal share commitment letter, see Appendix K.

CLEAR SCHEDULE FOR DEPOSITS. The nonfederal share must be deposited into the Reserve Account before Federal funds may be accessed. However, the entire nonfederal share need not be available from the start date of the grant. The nonfederal share may be provided according to a clear schedule of deposits over time.

Uses of Nonfederal and Federal Funding

All of the Federal and nonfederal money for an AFI Project is held together in the project's Reserve Account. At least 85 percent of these funds must be used to match the savings in client IDAs. As you recall, you have already determined your IDA match rate based on the factors described in Section D.

As represented in Figure 4, 85% of the Reserve Account must be used for matching participant IDA savings. This leaves a maximum of 15 percent of the funds for program operating costs. Up to 7.5 percent can be dedicated to overall administration and program-specific activities (e.g., marketing and enrollment processing). Another 5.5 percent can be used to support the costs of providing case management, counseling, and training services to the participant to support him or her in the program. Finally, 2 percent of these funds must be dedicated to the cost of participating in the AFI national evaluation.



The Program Budget

Once you have determined how much nonfederal share you will be able to raise, and therefore your total budget amount, it is time to design your AFI Project budget. Below are recommended steps to take in developing an AFI Project budget. As you do this, you may also want to refer directly to the required Federal budget forms. See Appendix L for a sample.

Step 1: Develop Line-Item Cost Projections

Develop a list of the cost items (budget categories) that will be required for each activity. What will your costs be for developing, duplicating, and distributing marketing materials? What are the costs of providing training? Will this include such items as materials duplication, space rental, refreshments, and child care for participants? Or will this be documented as an amount paid to a partner organization as a fee for providing the training on your behalf? Who is providing case management services (if any)? Indicate staff positions, percent of time dedicated to the project, and discounted salary amounts to cover that time. Don't forget to include fringe or general overhead costs for copiers, phones, office space, and the like.

Step 2: Project Costs Through Five Years

Remember that the AFI Project period is five years. The budget you develop should reflect changes in cost over that period. Much of this can be addressed by assuming a basic inflation rate for each year and adding that to the costs established in the first year. To ensure accuracy in the budget, review the overall expense activities and make additional adjustments based on the program's maturity. Will the program require the same amount of marketing in the third, fourth, fifth year—after all, or nearly all, accounts are open? Will training and counseling costs increase in those later years as more participants require support to prepare for the asset purchase?

Step 3: Compose Budget Narrative

Describe in the budget narrative (or in the budget format) how much of these costs will be funded by the nonfederal and Federal shares and how much is covered by in-kind and other cash resources. It's also critical to note the contributions of partner organizations' in-kind services and the value of volunteers (such as Volunteers In Service To America or VISTA workers). Be sure that these resources are documented with letters of support or estimates of the value of the in-kind services.

Appendix L contains a sample budget, which may give you additional ideas on how to structure this vital program information.